

\$27,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITY TAXABLE LOAN
(PARTNERSHIP TO UPLIFT COMMUNITIES)
SERIES 2022
ITEM #6 - RESOLUTION 22-24
STAFF SUMMARY

EXECUTIVE SUMMARY				
Applicant/Borrower:		Southern California Charter School Properties, LLC	Par Amount Requested:	Not-to-Exceed * \$27,000,000
Financing Term: 30-year tax-exempt bonds, maturing in 2052 (10-year call provision); 1-year taxable bonds, maturing in 2023			Projected Interest Rate: 5.00% on the Tax-Exempt; 5.50% on the Taxable	
Applicant Description: Southern California Charter School Properties, LLC, is a California limited liability company, the sole member of which is a California nonprofit public benefit corporation, formed and operating exclusively for charitable and educational purposes by conducting or supporting activities for the benefit, or to carry out the purposes, of Partnerships to Uplift Communities charter schools.				
Type of Financing: Education Revenue Refunding Bonds				
Project User:		PUC Cals Charter Middle and Early College High School; PUC Community Charter Middle and PUC Community Charter Early College High School; and PUC Lakeview Charter Academy	County Served:	Los Angeles County
District in Which Project is Located:		Los Angeles Unified School District	Charter Authorizer:	Los Angeles Unified School District
Project Description: Refinance Charter School Revenue Bonds, Series 2012A, issued through the CA Municipal Finance Authority. The 2012 Bonds financed two projects: 1) acquisition of land and facilities at 11500 Eldridge Ave in Lake View Terrace and 2) refinance several taxable loans used to acquire land and facilities at 7350 Figueroa St., Los Angeles, CA. Proceeds of the 2012 Bonds also funded a DSRF, a working capital reserve, and costs of issuance.				
Project Sites: 1) 11500 Eldridge Ave, Lake View Terrace, CA 91342 ; 2) 7350 Figueroa St., Los Angeles, CA 90041				
Financing Team:			Financing Details:	
Bond Counsel:		Orrick, Herrington & Sutcliffe LLP	Type of Issue:	Education Revenue Refunding Bonds
Borrower’s Counsel		Procopio, Cory, Hargreaves & Savitch	Tax Status:	Tax-Exempt & Taxable
Issuer’s Counsel:		Attorney General’s Office	Maturity:	August 1, 2052 (Tax-Exempt) August 1, 2023 (Taxable)
Underwriter:		RBC Capital Markets	Credit Enhancement:	Yes
Underwriter’s Counsel:		Kutak Rock	Credit Rating:	BB
Financial Advisor:		Buck Financial Advisors LLC	Fees:	See Costs of Issuance Table
Issuer:		California School Finance Authority		
Trustee:		Zions Bancorporation, National Association		

CSFA Analyst: Ryan Storey	
Date of CSFA Board Meeting: April 28, 2022	Resolution Number: 22-24
Staff Recommendation: Staff recommends the California School Finance Authority Board approve Resolution Number 22-24 - Authorizing the issuance of revenue bonds in an amount not to exceed \$27,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Los Angeles County for use by Partnerships to Uplift Communities Los Angeles and Partnerships to Uplift Communities Lake View Terrace.	

BACKGROUND AND HISTORY

Partnerships to Uplift Communities (PUC) is a charter school network founded in 1999 and that currently operates 14 schools serving over 17,000 students in Northeast Los Angeles and the greater San Fernando Valley, including PUC California Academy for Liberal Studies Charter Middle and Early College High School (CALS), PUC Community Charter Middle and PUC Community Charter Early College High School (Community), and PUC Lakeview Charter Academy (Lakeview). All charters were authorized by Los Angeles Unified School (LAUSD).

Southern California Charter School Properties, LLC (SCCSP) is a California limited liability company, the sole member of which is a California nonprofit public benefit corporation, formed and operating exclusively for charitable and educational purposes by conducting or supporting activities for the benefit, or to carry out the purposes, of Partnerships to Uplift Communities charter schools.

Obligated Schools	
School Full Name	Charter Term*
1. PUC California Academy for Liberal Studies Charter Middle and Early College High School	2020-2027
2. PUC Community Charter Middle and PUC Community Charter Early College High School	2019-2026
3. PUC Lakeview Charter Academy	2019-2026

* - Assembly Bill 130 (2021) extends the terms of all charter schools whose terms expire on or between January 1, 2022, and June 30, 2025, inclusive, by two years. These two years have been added as all three school's charter petition expiration date fall within the aforementioned dates.

Current Demographics for the obligated group include:

SCCSP			
Description	CALS (%)	Community (%)	Lakeview (%)
FRL	93.3%	93.3%	92.9%
Latinx	93.9%	93.6%	91.3%
Black	0.7%	1.5%	1.6%
ELL	11.4%	10.9%	17.4%
SPED	14.3%	15.3%	13.4%

Current enrollment projections for the obligated group include:

Obligated Group Schools									
School	Grades	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
CALS	6-12	511	527	475	475	475	475	475	475
Community	6-12	788	816	815	815	815	815	815	815
Lakeview	6-8	341	350	318	318	318	318	318	318
Total:		1640	1693	1608	1608	1608	1608	1608	1608

Financial projections for this bond are included as Appendix A. PUC leadership is included as Appendix B.

PROJECT DESCRIPTION

The proceeds of the bond will be used to Refinance PUC's Charter School Revenue Bonds, Series 2012A, issued through the California Municipal Finance Authority (CMFA). The 2012 Bonds financed two projects: 1) acquisition of land and facilities at 11500 Eldridge Ave in Lake View Terrace and 2) refinance several taxable loans used to acquire land and facilities at 7350 Figueroa St., Los Angeles, CA. Proceeds of the 2012 Bonds also funded a DSRF, a working capital reserve, and costs of issuance.

Estimated Bond Proceeds				
Site	Landlord	Location	Purpose	Amount
Eldridge (Community & Lakeview)	SCCSP	11500 Eldridge Ave, Lake View Terrace, CA	Refinancing	\$14,361,000
Figueroa (CALS)	SCCSP	7350 Figueroa St., Los Angeles, CA	Refinancing	\$5,185,000
Total Estimated Project Costs				\$19,546,000

In 2012, CMFA issued \$26,540,000 in tax-exempt and taxable bonds on behalf of PUC which financed acquisition of land, demolition of pre-existing facilities, construction of new facilities, and cost of issuance/capitalized interest, for school facilities at both the Eldridge and Figueroa sites.

The facilities on the Eldridge site include two (2) building totaling 37,222 square feet with 43 classrooms, 5 science labs, 1 conference room, 2 counseling offices, a college placement center and administrative offices. As mentioned above, Community and Lakeview both operate on the Eldridge Site. The facilities on the Figueroa site include one 39,365 square foot building consisting of 23 classrooms, college center, a lounge, administrative offices and four (4) large restrooms.

FINANCING

The proposed 2022 bonds are anticipated to be structured with roughly level annual debt service payments. The current structure anticipates five to six term bonds over 30 years, with taxable bonds structured in the early maturities. Currently, a 10-year call is anticipated.

Borrower: Southern California Charter School Properties, LLC is a California limited liability company formed, and operating exclusively for charitable and educational purposes by conducting or supporting activities for the benefit, or to carry out the purposes, of Partnership to Uplift Communities which operate CALS, Community, and Lakeview.

Security and Source of Payment: The Bond will be secured by an Gross Pledge on all revenues of the Borrower which consist of lease payments received from the PUC schools, cross-collateralized; Fee simple Mortgage on owned real estate financed with the 2012 Bonds, Leasehold Mortgage on leased real estate of the Obligated Group, and Debt Service Reserve Fund. The lease with Lessee will be subject to Intercept. Lessee is required under the lease to maintain certain financial covenants. As additional security, and in connection with the issuance of the Bond, PUC will provide instructions to the State Controller's Office to make an apportionment with respect to CALS, Community, and Lakeview in the amounts, and on the dates provided, in a written notice sufficient in the aggregate to repay the Bond and pay necessary and incidental costs (Intercept). Funds received by the Lender pursuant to such Intercept will be applied solely for payment of debt service on the Bond. Under the laws of the State of California, no party, including any Landlord, the Lessee, or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Lender by the State Controller's Office pursuant to the Intercept.

Preliminary Sources and Uses and Preliminary Costs of Issuance : Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for board consideration. Please note these figures are subject to change between the time the Board packets are distributed and the time the Board meets, and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the Board meeting date.

Sources and Uses			
Sources:	Series 2022A Tax-Exempt Bond	Series 2022B Taxable Bond	Total
Bond Proceeds:			
Par Amount	\$20,965,000.00	\$245,000.00	\$21,210,000.00
Premium	\$ 898,856.85	\$0.00	\$898,856.85
Equity Contribution	\$4,090,000.00	\$0.00	\$4,090,000.00
Total:	\$25,953,850.00	\$245,000.00	\$26,198,850.00
Uses:	Series 2022A Tax-Exempt Bond	Series 2022B Taxable Bond	Total
Project Fund Deposits:			
Refunding Escrow Deposits	\$24,121,000.00	\$0.00	\$24,121,000.00
Other Fund Deposits:			
Debt Service Reserve Fund	\$1,366,570.00	\$0.00	\$1,366,570.00
Delivery Date Expenses:			
Cost of Issuance	\$205,000.00	\$250,000.00	\$450,000.00
Underwriter's Discount	\$250,788.00	\$0.00	\$250,788.00
<u>Total</u>	<u>\$455,788.00</u>	<u>\$250,000.00</u>	<u>\$700,788.00</u>
Total:	\$25,953,850.00	\$245,000.00	\$26,198,850.00

Total Costs of Issuance*	
Expense	Amount
Issuer Fee	\$21,000
Annual Admin Fee	\$500
Agent-for-Sale Fee	\$8,000
CDLAC Fee	\$5,000
Issuer's Counsel Fee	\$5,000
Financial Advisor Fee	\$55,000
Bond Counsel Fee	\$80,000
Borrower's Counsel Fee	\$50,000
Underwriter's/Disclosure Counsel Fee	\$80,000
Rating Agency Fee	\$60,000
Trustee Fee	\$8,000
Trustee's Counsel Fee	\$2,000
Financial Printer Fee	\$4,000
Underwriter Fee	\$220,788
Title Insurance Fee	\$80,000
Contingency	\$20,000
Application Fee	\$1,500
Total	\$700,788.00

*Estimates based on a not-to-exceed Par Amount of \$27,000,000.

Bond Rating: PUC is in the process of obtaining a rating from S&P on the Series 2022 Bonds. PUC's outstanding Series 2012 bonds issued through CMFA and Series 2014 bonds issued through the Authority both carry BB ratings from S&P with outlook deemed stable.

Credit Enhancement: There will be a not-to-exceed \$2,000,000 credit enhancement award applications for this financing that will be before the CSFA Board as subsequent agenda items at the March 30, 2022 meeting. If approved, the enhancement awards will fund no greater than \$2,000,000 of the financing's debt service reserve fund.

SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the expected below-investment grade rating. The Authority's sales restrictions may be viewed at:

<http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

- 1) Bonds will be in minimum denominations of \$250,000;
- 2) Bonds will be privately placed or publicly offered initially to Qualified Institutional Buyers (QIBs) and Accredited Investors (AIs).
- 3) Initial Bond purchasers will be required to execute an Investor Letter;
- 4) Subsequent transfers of Bonds will be limited to QIBs and AIs;
- 5) Sales restrictions will be conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;
- 6) One or more of the following will be required depending on the transaction, as requested by the financing team and approved by the Authority:
 - a) Traveling Investor Letter; or

- b) Higher minimum denominations of \$250,000; or
 - c) Physical Delivery; or
 - d) Limited initial sale to QIBs, with subsequent transfers limited to QIBs as well; or
 - e) Other investor protection measures
- 7) Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code.

OTHER PROJECT DATA

Tax Equity and Fiscal Responsibility Act (TEFRA): The TEFRA Notice was published on the CSFA Webpage on April 20, 2021. The TEFRA hearing will take place on Thursday, April 28, 2021. Staff does not anticipate any comments but will provide an update to the Board if any are received.

Due Diligence Undertaken to Date: The financial, operating and other information concerning the Borrower, the Project and related matters presented in this Staff Summary was provided by the Borrower, Lessee, and Underwriter. The analysis contained herein was prepared by Authority Staff for the limited purpose of determining financial feasibility pursuant to Section 17183.5 of the CSFA Act and providing the Authority Board with information concerning certain aspects of the Project. The review undertaken by Authority staff, the recommendation of Authority Staff to the Authority Board to approve the financing, or any approval by the Authority Board are not intended to, and did not, include all of the due diligence activities and other investigations necessary or desirable for the purpose of making an investment decision relating to the making of the financing by the Lender, and should not be relied on by any party for such purpose.

Borrower Financial Data: The Borrower is a California Limited Liability Company (LLC) formed as a support organization for charter schools formed and controlled by PUC, its sole member (the Sole Member). The Sole Member has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code.

The LLC is a single purpose entity with no assets other than the applicable Facility and its rights under the Lease, which will be assigned to the Trustee. The LLC was formed for the purpose of owning facilities and is not expected to have any other assets or revenue available to it to make payments due under the Loan Agreement.

STAFF RECOMMENDATION

Staff recommends the California School Finance Authority Board approve Resolution Number 22-24 - Authorizing the issuance of revenue bonds in an amount not to exceed \$27,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located in Los Angeles County for use by Partnerships to Uplift Communities Los Angeles and Partnerships to Uplift Communities Lake View Terrace.

1. **Applicant / Borrower:** Southern California Charter School Properties, LLC, a California limited liability company,.
2. **Project:** Refinance Outstanding Bonds
3. **Amount of Financing:** Not –to- exceed \$27,000,000
4. **Maturity:** August 1, 2052
5. **Repayment/Security:** Intercept of Lease Payments and Deed of Trust on Real Property
6. **Interest Rate:** 5.00% on tax-exempt bonds and 5.50% on taxable bonds
7. **Fees:** \$700,788* is the total Costs of Issuance
8. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the Project, but rather CSFA's approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a loan agreement, in form and substance satisfactory to CSFA and its counsel.
9. **Limited Time:** The Board's approval expires 12 months from the date of its adoption. Thus, CSFA must enter into the loan agreement no later than 12 months from such date. Once the approval has expired, the item must return to the Board for new approval.

APPENDIX A: ESTIMATED BUDGET AND ENROLLMENT (PROJECTED)

Key Assumptions								
Fiscal Year Ended June 30		2021	2022	2023	2024	2025	2026	2027
		Audited Actuals	Board Approved Revised Budget	Proposed Budget	Projected	Projected	Projected	Projected
Assumed General Expense Inflation Rate				5.9%	3.6%	3.6%	3.6%	3.6%
PUC Cals Charter Middle and Early College High School		475	475	475	475	475	475	475
PUC Community Charter Middle and PUC Community Charter Early		815	815	815	815	815	815	815
PUC Lakeview Charter Academy		318	318	318	318	318	318	318
Total Enrollment		1608	1608	1608	1608	1608	1608	1608
Assumed ADA - High School		95%	95%	95%	95%	95%	95%	95%
Assumed ADA - Middle School		97%	97%	97%	97%	97%	97%	97%
Per Pupil Revenues1								
PUC Cals Charter Middle and Early College High School		\$11,770	\$12,843	\$13,170	\$13,580	\$14,061	\$14,061	\$14,061
PUC Community Charter Middle and PUC Community Charter High		\$11,718	\$12,850	\$13,204	\$13,614	\$14,097	\$14,097	\$14,097
PUC Lakeview Charter Middle School		\$10,580	\$10,588	\$11,539	\$11,873	\$12,243	\$12,675	\$12,675
Revenues								
State Revenues								
LCFF Entitlement		10,023,489	7,005,933	7,419,283	7,686,377	7,966,161	8,205,146	8,500,531
Education Protection Account		3,803,343	3,917,443	4,034,967	4,156,016	4,280,696	4,409,117	4,541,390
Special Education Entitlement		1,102,932	1,136,020	1,170,101	1,205,204	1,241,360	1,278,600	1,316,958
Lottery		417,080	429,592	442,480	455,755	469,427	483,510	498,015
SB 740 - Facilities Lease Reimbursement		1,290,405	1,329,117	1,368,991	1,410,060	1,452,362	1,495,933	1,540,811
Other State Revenues		7,108,144	7,321,388	7,541,030	7,767,261	8,000,279	8,240,287	8,487,496
Sub-Total State Revenues		\$ 23,745,393	\$ 21,139,494	\$ 21,976,851	\$ 22,680,672	\$ 23,410,285	\$ 24,112,593	\$ 24,885,202
Federal Revenues								
	Federal Title Revenues	781,974	789,794	797,692	805,669	813,725	821,863	830,081
	Food Service/Nutrition	330,882	337,500	344,250	351,135	358,157	365,320	372,627
	Special Education	329,076	335,658	342,371	349,218	356,202	363,326	370,593
	ESSER Funds	4,491,946	343,777	0	0	0	0	0
Sub-Total Federal Revenues		\$ 5,933,878	\$ 1,806,728	\$ 1,484,312	\$ 1,506,021	\$ 1,528,085	\$ 1,550,509	\$ 1,573,301
Local Revenues								
	Fundraising Revenue	22,085	120,347	123,957	127,676	131,506	135,452	139,515
	Other Local Revenue	347,998	120,347	123,957	127,676	131,506	135,452	139,515
Sub-Total Local Revenues		\$ 370,083	\$ 240,694	\$ 247,915	\$ 255,352	\$ 263,013	\$ 270,903	\$ 279,030
GROSS REVENUES		\$ 30,049,354	\$ 23,186,916	\$ 23,709,077	\$ 24,442,045	\$ 25,201,383	\$ 25,934,006	\$ 26,737,533
Operating Expenses								
	Instructional Salaries and Bonuses	6,435,014	6,628,064	7,092,029	7,304,790	7,523,933	7,749,651	7,982,141
	Administrative and Support Salaries	1,770,634	1,859,166	2,045,082	2,106,435	2,169,628	2,234,717	2,301,758
	Other Certificated	342,870	353,156	377,877	389,213	400,890	412,916	425,304
	Classified Salaries	2,508,906	2,584,173	2,713,382	2,794,783	2,878,627	2,964,986	3,053,935
	Benefits	2,884,108	2,970,631	3,119,163	3,275,121	3,438,877	3,610,821	3,791,362
	Books & Supplies	1,773,240	1,950,564	2,048,092	2,150,497	2,258,022	2,370,923	2,489,469
	Food Service/Nutrition	375,372	394,141	413,848	434,540	456,267	479,080	503,034
	Insurance	324,292	356,721	392,393	431,633	474,796	522,276	574,503
	Utilities & Housekeeping2	338,989	372,888	410,177	451,194	496,314	545,945	600,540
	Special Ed Fair Share	162,985	187,683	216,624	244,686	252,026	259,587	259,587
	Building Maintenance & Repairs	55,704	63,000	65,000	66,950	68,959	71,027	71,027
	Consultants	207,685	126,400	130,192	134,098	138,121	142,264	142,264
	Authorizer Expenses4	100,539	120,005	107,402	123,340	128,599	133,852	133,852
	Equipment Leases	145,049	62,000	71,560	80,830	83255	85753	85753
	Other Expenses	3,736,050	343	353	364	375	386	398
TOTAL OPERATING EXPENSES		21,161,437	18,028,935	19,203,174	19,988,474	20,768,688	21,584,184	22,414,927
Net Revenues Available for Facility Expense		8,887,917	5,157,980	4,505,903	4,453,572	4,432,695	4,349,822	4,322,607
Total Facility Expense		2,091,521	2,133,351	2,176,018	2,219,539	2,263,930	2,309,208	2,355,392
Lease Expense Per Student5		\$ 1301	\$ 1327	\$ 1353	\$ 1380	\$ 1408	\$ 1436	\$ 1465
Coverage of Lease Expense by Net Revenues		4.25	2.42	2.07	2.01	1.96	1.88	1.84

<p style="text-align: center;">APPENDIX B: SCHOOL GOVERNANCE</p>

Officers

Jacqueline Elliot, Ed.D.	President & Chief Executive Officer
Concepcion Rivas	Executive Director
Lisa Tovar	Chief Financial Officer
David Jackson	Chief Operations & Chief Legal Officer
Veronica Alonzo	Deputy Superintendent of Academics
Christopher Moggia, Ed.D.	Director of Curriculum & Assessments
Meredith McOlvin, Ed.D.	Director of Inclusion and Special Education

Board of Directors

Juana Maria Valdivia	Board Chair
Martin Nava	Vice Chair & Treasurer
Anthony Pizano	Trustee
Xavier Reyes	Trustee